

COMPASS POINTE
INDEPENDENT AUDITORS' REPORTS,
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED
JUNE 30, 2012

COMPASS POINTE
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COMPASS POINTE
OFFICIALS
JUNE 30, 2012

EXECUTIVE DIRECTOR JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2013)

Officers:

President Tom Farnsworth
Vice-President Dennis Wright
Secretary-Treasurer Del Brockshus

Delegates:

Buena Vista County Dale Arends
Don Atena

Clay County Del Brockshus
Burlin Matthews

Dickinson County Mardi Allen
Jason Harrington

Emmet County Bev Juhl
Alan Madden

Kossuth County Jack Plathe

Lyon County Merle Koedam
Kirk Peters

O'Brien County Tom Farnsworth
James DeBoom

Osceola County Phil Bootsma
Bill Imhoff

Palo Alto County Ron Graettinger

Sioux County Dennis Wright
Mark Sybesma

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Compass Pointe

We have audited the accompanying statement of financial position of Compass Pointe (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Compass Pointe's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Compass Pointe's June 30, 2011 financial statements and, in our report dated October 27, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Pointe at June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 on our consideration of Compass Pointe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Winkler, Starn & Co., LLP

October 19, 2012

COMPASS POINTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash (Note 6)	\$388,002	\$255,263
Accounts receivable - net (Note 2)	169,879	225,731
Prepaid expenses	<u>28,504</u>	<u>29,029</u>
TOTAL CURRENT ASSETS	<u>586,385</u>	<u>510,023</u>
PROPERTY AND EQUIPMENT:		
Land	8,800	8,800
Building	99,118	84,570
Leasehold improvements	29,831	26,709
Office equipment and furniture	182,234	176,680
Video system and equipment	<u>89,008</u>	<u>82,876</u>
TOTAL PROPERTY AND EQUIPMENT	408,991	379,635
Less accumulated depreciation	<u>(272,812)</u>	<u>(251,159)</u>
PROPERTY AND EQUIPMENT - NET	<u>136,179</u>	<u>128,476</u>
 TOTAL ASSETS	 <u>\$722,564</u>	 <u>\$638,499</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 25,561	\$ 35,977
Other liabilities	57,640	57,323
Accrued vacation pay	37,386	35,304
Accrued unemployment claims	<u>15,610</u>	<u>16,193</u>
TOTAL CURRENT LIABILITIES	<u>136,197</u>	<u>144,797</u>
NET ASSETS:		
Unrestricted	<u>586,367</u>	<u>493,702</u>
TOTAL NET ASSETS	<u>586,367</u>	<u>493,702</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$722,564</u>	 <u>\$638,499</u>

COMPASS POINTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract	\$ 722,547	\$ 722,142
Comprehensive prevention contract	160,286	153,969
Other contracts and grants	375,500	263,267
Counties	118,368	120,528
Cities	12,934	13,861
Client fees	723,532	659,374
Other fees	64,825	96,041
Interest	1,826	2,865
Other	49,487	3,439
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,229,305</u>	<u>2,035,486</u>
EXPENSES:		
Program services	1,790,910	1,649,048
Support services	345,730	328,595
TOTAL EXPENSES	<u>2,136,640</u>	<u>1,977,643</u>
INCREASE IN NET ASSETS	<u>92,665</u>	<u>57,843</u>
NET ASSETS BEGINNING OF YEAR	<u>493,702</u>	<u>435,859</u>
NET ASSETS END OF YEAR	<u>\$ 586,367</u>	<u>\$ 493,702</u>

COMPASS POINTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 978,774	\$220,414	\$1,199,188	\$1,131,550
Fringe benefits and payroll taxes	<u>289,161</u>	<u>59,946</u>	<u>349,107</u>	<u>350,105</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,267,935	280,360	1,548,295	1,481,655
Auditing and legal services		9,529	9,529	9,383
Bad debts	73,548		73,548	48,230
Contract services	48,812		48,812	29,235
Insurance	15,414	5,192	20,606	19,952
Medical services	9,000		9,000	13,000
Miscellaneous	12,896	6,986	19,882	14,880
Rent	83,051	10,232	93,283	92,172
Repairs and maintenance	42,016	8,476	50,492	42,531
Special projects	100,708		100,708	69,128
Staff training and education	9,096	4,991	14,087	17,315
Supplies	40,396	3,818	44,214	34,555
Telephone	24,813	4,579	29,392	27,170
Travel	29,308	4,418	33,726	35,575
Utilities	<u>18,439</u>	<u>974</u>	<u>19,413</u>	<u>21,225</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,775,432	339,555	2,114,987	1,956,006
Depreciation	<u>15,478</u>	<u>6,175</u>	<u>21,653</u>	<u>21,637</u>
 TOTAL EXPENSES	<u>\$1,790,910</u>	<u>\$345,730</u>	<u>\$2,136,640</u>	<u>\$1,977,643</u>

COMPASS POINTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 92,665	\$ 57,843
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	21,653	21,637
(Increase) decrease in current assets:		
Accounts receivable	55,852	(52,839)
Prepaid expenses	525	14,041
Increase (decrease) in current liabilities:		
Accounts payable	(10,416)	21,093
Accrued expenses and other liabilities	<u>1,816</u>	<u>(4,109)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>162,095</u>	<u>57,666</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(29,356)</u>	<u>(10,118)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(29,356)</u>	<u>(10,118)</u>
NET INCREASE IN CASH	132,739	47,548
CASH AT BEGINNING OF YEAR	<u>255,263</u>	<u>207,715</u>
CASH AT END OF YEAR	<u>\$388,002</u>	<u>\$255,263</u>

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Compass Pointe is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Compass Pointe is not currently subject to any donor-imposed restrictions. Accordingly, the net assets of Compass Pointe and changes therein are classified and reported as unrestricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of balances held in checking, money market savings and certificate of deposit accounts.

Accounts Receivable

Compass Pointe charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

Property and Equipment

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of three to forty years.

Accrued Expenses

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against Compass Pointe related to wages paid to employees during or prior to the fiscal year end.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing Compass Pointe's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

Income Taxes

Compass Pointe is a non-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The organization is not classified as a private foundation by the Internal Revenue Service.

Accounting standards for income taxes, which apply to nonprofit corporations, prescribe a comprehensive model for how an organization measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the organization has taken or expects to take on its income tax returns. This includes positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The organization's income tax filings are subject to audit by various taxing authorities. The organization's open audit periods are 2008-2011. In evaluating the organization's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

The financial statements include certain 2011 summarized comparative information. With respect to the Statement of Functional Expenses, 2011 expenses by object are presented in total rather than by functional category and therefore does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Compass Pointe's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

Subsequent Events

Compass Pointe has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	<u>2012</u>
Contracted services	\$ 96,205
Client fees	<u>253,674</u>
Total accounts receivable	349,879
Less allowance for doubtful accounts	<u>(180,000)</u>
 Accounts Receivable - Net	 <u>\$169,879</u>

Client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

3. OPERATING LEASES

Compass Pointe leases three office locations under non-cancelable operating leases expiring from June 2016 through June 2017. The future minimum lease payment are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2013	\$ 40,592
2014	40,592
2015	40,592
2016	33,992
2017	<u>18,000</u>
 Total	 <u>\$173,768</u>

Rent expenses under the above lease and monthly leases for six additional locations totaled \$93,283 for the year ended June 30, 2012.

4. RETIREMENT PLAN

Compass Pointe maintains a defined contribution retirement plan for all eligible employees with one year of service. The plan calls for Compass Pointe to contribute 6.25% of each qualified employee's annual salary. Additionally, employees are required to contribute 3% of their salary to the plan in order to receive the matching contribution by Compass Pointe. Contributions under this plan totaled \$57,097 for the year ended June 30, 2012.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

5. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2012, Compass Pointe entered into business transactions with related parties totaling \$3,015.

6. CONCENTRATIONS OF CREDIT RISK

Compass Pointe maintains its cash balances in financial institutions located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits in excess of \$250,000 at one institution are covered by a bank deposit guarantee bond.

7. ECONOMIC DEPENDENCY

Compass Pointe generates approximately 54% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, Compass Pointe submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. Compass Pointe has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2013 totaling \$516,395.

The Iowa Plan contracts provide for equal monthly payments to Compass Pointe, dependent upon its meeting specified unduplicated client levels and providing specified services. For the year ended June 30, 2012, Compass Pointe did not meet the contract requirement to serve a specified number of clients. Therefore, a reimbursement to Magellan Behavioral Health will be required. Compass Pointe has accrued \$57,590 as an allowance for potential amounts management estimates to be reimbursed. Compass Pointe has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2013 totaling \$712,548.

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2013 is approximately equal to amounts received for the fiscal year ended June 30, 2012. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

8. RISK MANAGEMENT

Compass Pointe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Compass Pointe assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

SUPPLEMENTARY INFORMATION

COMPASS POINTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Indirect:			
U.S. Department of Justice:			
Iowa Coalition Against Domestic Violence:			
Rural Domestic Violence, Dating Violence, Sexual Assault and Stalking Assistance Program	16.589		\$ <u>4,625</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Comprehensive Treatment	93.959		\$255,092
Comprehensive Prevention	93.959	5882CP23	<u>150,409</u>
Total for CFDA #93.959			<u>405,501</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:			
Capacity Coach	93.243	5882IP04	21,686
SPF SIG	93.243	5882CP23	<u>145,783</u>
Total for CFDA #93.243			<u>167,469</u>
Substance Abuse and Mental Health Services - Access to Recovery	93.275		<u>28,486</u>
TOTAL			<u>\$606,081</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Compass Pointe and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

COMPASS POINTE
SCHEDULE OF REVENUE AND EXPENSES BY CONTRACT
IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS
YEAR ENDED JUNE 30, 2012

	Comprehensive Prevention 5882CP23	Prevention Through Mentoring 5882YM79	Tobacco Use 5882TS13	Gambling 5882GP01	Capacity Coach 5882IP04	SPF SIG Funding 5882CP23	Youth Mentoring 5882YM09	Total
REVENUE:								
Iowa Department of Public Health	\$160,286	\$36,367	\$26,815	\$91,511	\$21,686	\$145,783	\$2,829	\$485,277
EXPENSES:								
Salaries & benefits	95,614		17,387	35,121	12,337	86,710	2,138	249,307
Contracted services		30,911				8,295		39,206
Other operating expense	41,167		5,271	20,757	6,096	28,913	266	102,470
Indirect expense	23,505	5,456	4,157	9,860	3,253	21,865	425	68,521
Services:								
Screening and assessment ..				3,920				3,920
Individual counseling				8,820				8,820
Crisis services				450				450
Family counseling				90				90
Group counseling				11,775				11,775
Housing assistance				375				375
Utility assistance				200				200
Clothing/Hygiene				69				69
Gas card.....				50				50
Care coordinator				24				24
Total Expenses	160,286	36,367	26,815	91,511	21,686	145,783	2,829	485,277
REVENUE OVER EXPENSES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Compass Pointe

We have audited the financial statements of Compass Pointe, Spencer, Iowa, as of and for the year ended June 30, 2012 and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

The management of Compass Pointe is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Compass Pointe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Compass Pointe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Compass Pointe's financial statement will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Pointe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Compass Pointe and other parties to whom Compass Pointe may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Compass Pointe during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stare & Co., LLA

October 19, 2012

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Compass Pointe

Compliance

We have audited Compass Pointe's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on Compass Pointe's major federal program for the year ended June 30, 2012. Compass Pointe's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Compass Pointe's management. Our responsibility is to express an opinion on Compass Pointe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Compass Pointe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Compass Pointe's compliance with those requirements.

In our opinion, Compass Pointe complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Compass Pointe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Compass Pointe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Compass Pointe and other parties to whom Compass Pointe may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Winters, Stan & Co., LPA

October 19, 2012

COMPASS POINTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was Block Grants for Prevention and Treatment of Substance Abuse, CFDA Number 93.959.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Compass Pointe did not qualify as a low-risk auditee.

COMPASS POINTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.